

**LIND SCHOOL DISTRICT No. 158**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

---

**Schedule Of Findings**

---

1. The District Should Improve Internal Controls Over Associated Student Body Funds

We found several weaknesses in the district's internal control procedures over cash receipting of Associated Student Body (ASB) funds at the high school.

a. General Receipting

Receipts were not deposited intact or in a timely manner. Receipts were maintained by the advisor for a period up to two weeks before depositing with the ASB secretary. This was the common practice at the high school.

b. ASB Concessions

Inventory and receipting procedures and reconciliations over high school ASB concessions were inadequate. We found no internal controls in place to reconcile the revenues received to cost of goods sold.

c. Athletic Ticket Sales

There were insufficient controls over gate admissions for athletic events during the current year. We were unable to determine that all receipts were subsequently deposited by the advisor. The completeness of deposits could not be determined.

Inadequate internal control procedures allow for increased occurrence of errors and omissions. The lack of adequate internal controls greatly increases the potential for misappropriation to occur and not be detected. Without use of adequate internal control procedures, fixing responsibility is difficult.

Section III-G-1 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

An internal control system . . . (should) ensures that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The district had some procedures in place to provide for recording of ASB activities and security of assets but the policies and procedures were often disregarded by district employees. Adherence to these policies and procedures was not enforced by district officials.

We recommend that district officials develop improved internal control procedures over Associated Student Body funds and require adherence to those policies and procedures.

2. The District Should Improve Internal Controls Over Soft Drink Machine Sales

The Kennel Klub operates the soft drink machines at the high school. Our audit testing concluded that moneys from soft drink machine sales had not been deposited in a timely manner or on a regular basis. The Kennel Klub advisor had maintained possession, at her residence, of at least \$3,233 in undeposited receipts, from October 1994 through February 1995, reportedly to prevent these funds from being spent, at the direction of the students. The advisor used a portion of the undeposited receipts to make an unauthorized purchase of a copy machine in September 1995, in the amount of \$1,699, which was also retained at her residence. As a result of our audit, the advisor returned the copy machine and \$1,534 in cash to the district in March 1996.

Inadequate internal control policies allowed for increased occurrence of errors and omissions. The lack of adequate internal controls greatly increases the potential for misappropriation to occur and not be detected. Without use of adequate internal control procedures, fixing responsibility is difficult.

Section III-G-1 of the *Accounting Manual for Public School Districts in the State of Washington* states in part:

An internal control system . . . (should) ensures that resource use is consistent with law, regulation, and policy; that resources are guarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

The district had procedures in place to provide for proper recording of ASB activities and security of assets. The noted conditions resulted from the Kennel Klub advisor's disregard of district policies and procedures that, if adhered to, would have provided for the proper recording of soft drink machine receipts. A breakdown in the control structure, as evidenced by the lack of supervisory monitoring and review by district administrators, also contributed to the ability of the Kennel Klub advisor to retain these funds.

We recommend that district officials develop improved internal control procedures over Associated Student Body funds and provide proper supervision of employees that handle cash.

We further recommend the Adams County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances.

**LIND SCHOOL DISTRICT No. 158**  
**Adams County, Washington**  
**September 1, 1994 Through August 31, 1995**

---

**Schedule Of Federal Findings**

---

1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Certain payroll expenditures for the Department of Education ESSIA Chapter 1 Program (CFDA 84.010) did not comply with federal regulations. The district did not consistently apply their procedures to compare actual time expended to time charged. Charges are processed through the district's payroll system using a predetermined rate. We found that the actual time for one employee was 15 percent less than the time charged for the entire fiscal year. The program was overcharged \$1,907.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to State and Local Governments*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.
- b. The method used should produce an equitable distribution of time and effort.

Without a reliable system that meets the federal requirements, the district cannot assure that payroll costs charged to the Chapter 1 program are for services provided to the program.

We recommend the district implement a time reporting system that complies with OMB Circular A-87 for all federal programs that are charged through payroll.